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ED
29 July 1956




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Copy No. 105

**CURRENT
INTELLIGENCE
BULLETIN**

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DOCUMENT NO. **52**
NO CHANGE IN CLASS.
1: DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: **2001**
AUTH: HR 70-2
DATE **11-71-X** REVIEWER 

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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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[REDACTED]

**1. BRITISH AND FRENCH WANT STRONG ACTION
AGAINST EGYPT**

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[REDACTED] At a 27 July meeting with American and French representatives about Suez, British foreign secretary Lloyd stated that the British government felt it was

[REDACTED] "no good starting any measures unless we are prepared to take military measures in the end. . .if. . .necessary." Lloyd said Britain was thinking of proposing to Egypt that the canal be operated by a consortium, perhaps under the UN, and then taking tripartite or broader "strong action" if Egypt refused.

France, according to Ambassador Chauvel, was also disposed to retaliate by selling more Mystere aircraft to Israel, but Lloyd said Britain thought it imperative to keep Israel out of the situation.

Comment

Britain and France are reluctant to take military action without United States support. A parachute brigade of about 2,000 men could probably be detached from the 20,000 British troops on antiterrorist duty on Cyprus in view of the improving situation there. About 20,000 more British troops are stationed in small contingents elsewhere in the Middle East. An aircraft carrier, two cruisers, and other smaller ships are now in the Mediterranean, and several fighter-bomber squadrons are based in the area. In view of the Algerian situation, any substantial French troop commitment would probably require either further withdrawals from Germany or a new call-up of reserves.

London in effect prevented the use of Egypt's current sterling resources on 28 July by requiring Treasury approval for transferring either sterling held by Egyptians or any Suez Canal Company assets. In addition, Britain still holds about \$290,000,000 of Egyptian funds in the blocked sterling account set up during World War II. France has blocked the canal company's funds in France, and has asserted administrative control over all Egyptian transactions in France.

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2. WORLD REACTIONS TO SUEZ CANAL SEIZURE

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Egyptian president Nasr's seizure of the Suez Canal Company and his gestures of defiance against threats of Western counter-action have been received with unanimous approval by the press and public in the other Arab states. Messages of support and congratulation have been sent to Cairo by a number of Arab political leaders, most notably King Hussain of Jordan and Syrian president Quwatli. The Syrian defense minister stated on 29 July that his country's army had taken "all preparatory measures to stand by Egypt in the face of all possibilities." Politicians in Lebanon, where the government is involved in a dispute with the Iraq Petroleum Company, have hinted strongly that Nasr's example should be followed, and some Syrian circles reportedly are urging that the Iraq-Mediterranean oil pipeline be cut and an appeal made to Arab workers to leave the oilfields if the West uses force against Egypt.

A similar wave of emotional satisfaction with the discomfiture of the West has swept the press of South Asia, but in India and Ceylon the feeling appears to be tempered with concern about the effect a dispute over the canal might have on the economies of the area. Editorial opinion in both these countries and in Japan puts emphasis on the need for a peaceful settlement of the issue.

The Soviet reaction has been one of sympathetic understanding of Nasr's action, which Pravda asserts is legal; the Suez issue is described in a 29 July Pravda article as one more illustration of the coming defeat of imperialism.

Western governments not directly involved in the dispute have refrained from issuing statements. Greece, where public opinion is already intensely hostile to Britain over the Cyprus issue, is the only NATO country whose press approves Nasr's move.

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4. CONSTITUTIONAL CRISIS SEEN POSSIBLE IN SOUTH KOREA

A proposed amendment of the South Korean constitution which would remove vice-president-elect Chang Myon from succession to the presidency may provoke a constitutional crisis if Rhee's Liberal Party tries to force its enactment. Chang, whose Democratic Party is the major opposition party, would be denied succession to Rhee by a provision

in the amendment permitting the vice president to serve out the president's term only if both are members of the same political party; otherwise a new election for president would be required.

The amendment, drafted by two National Assembly members belonging to minor opposition parties, provides for limited parliamentary government by re-establishing the position of prime minister and empowering the assembly to vote nonconfidence in the cabinet. These features could attract opposition support for the amendment, while elimination of the possibility that Chang and the Democratic Party will inherit political control will attract the Liberals.

The fact that the Liberal Party will encounter difficulties in obtaining the eight additional votes for a two-thirds majority in the assembly, and that the amendment probably will cost the Liberals some of their remaining popular support will militate against any attempt to pass the amendment. There is one report, however, that Liberal chief Yi Ki-pung has been persuaded to push the amendment with the understanding he would become prime minister and use the power of this post to succeed to the presidency when Rhee dies.

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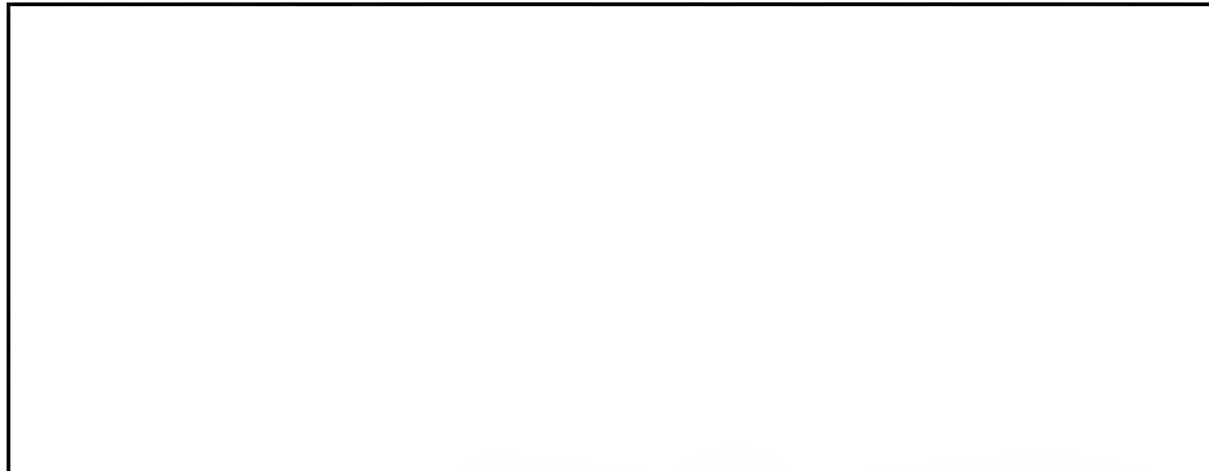
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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 29 July)

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King Hussain told the American ambassador in Amman on 27 July that Jordan was continuing to do everything in its power to bring the "present cycle of incidents" to an end. The king said he regretted the wounding of UN observers by Jordanian villagers on 25 July but did not find it surprising since the villagers had been living under tension for years.

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As a result of a ground reconnaissance he conducted in the Suez Canal zone on 25 and 26 July, the American military attaché in Cairo doubts that four infantry battalions, a medium tank regiment and a heavy tank unit have been moved into the zone. He believes elements of each may be there, but he saw only a small number of infantry and a total of 23 assorted tanks at various camps.

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